

Fairfax County Economic Index

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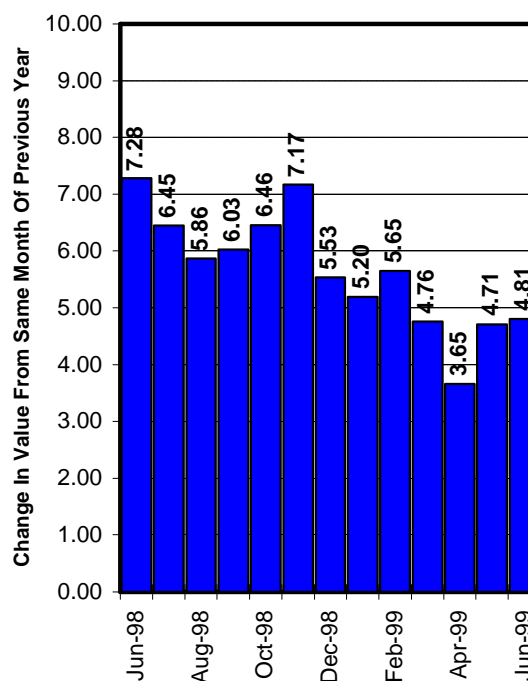
County Economy Continues To Slow

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, registered 120.34 in June, down 0.27 percent from its level in May. This decrease in the Index extends its downward trend to a third month. Still, for the year's first six months, the Index is up 2.0 percent due to the economy's strong first quarter performance. The economy's strength over the past year is further confirmed by the Index's 4.2 percent gain since June 1998. Two of the Index's four components were negative in June.

- Total employment growth in June was less than in May with this slowing rate of increase extending for a second consecutive month; and
- Transient Occupancy Tax collections, adjusted for inflation and seasonal variation, declined sharply reversing its gain in May with collections now declining in four of the year's first six months; while
- Sales Tax receipts increased sharply almost completely offsetting their losses in April and May; and
- Consumer Confidence increased reversing losses in the two preceding months.

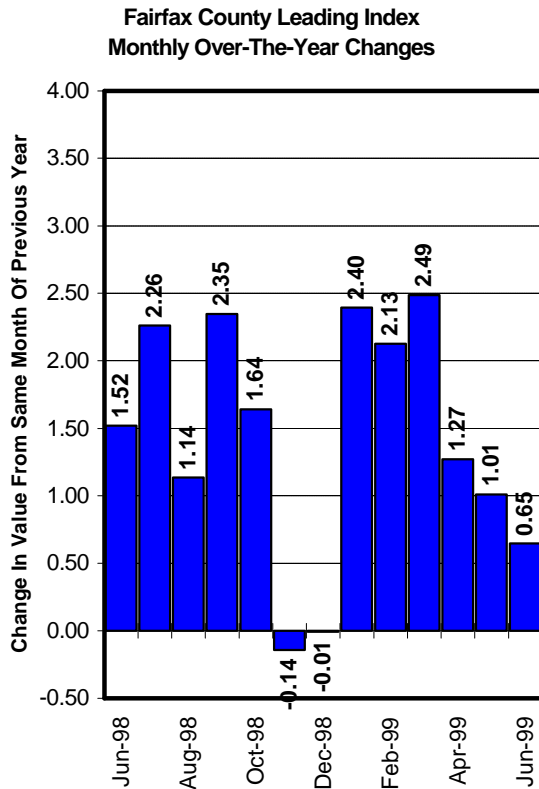
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, decreased in June to 105.37, a decrease of 0.46 percent. This decline in the

**Fairfax County Coincident Index
Monthly Over-The-Year Changes**



Source: Mason Enterprise Center, George Mason University

Leading Index extends its downward trend to a third month. Over the year's first half, the Index has been negative four times, however, it remains slightly above its year-end value on the strength of February's strong 1.9 percent gain. For the past 12 months, the Leading



Source: Mason Enterprise Center, George Mason University

Index is up 0.6 percent. In June, the performance of three of the Index's five components contributed to its decline.

- Initial claims for unemployment insurance increased sharply (worsened) in June reflecting seasonal patterns and a possible softening in the labor market;
- Residential building permits declined for a third month in a row; and
- The total value of residential permits declined for a second consecutive month; while
- New automobile registrations increased for a second month in a row; and
- Consumer expectations (consumer confidence six months hence) increased sharply building on May's small gain.

With both the Coincident and Leading Indices declining in June, the deceleration in the County's

economy over the second quarter is now certain. This slowdown follows the first quarter's strong gains that built from and extended the expansion that grew stronger throughout 1998. With the growth of the County's economy now slowing and the Leading Index pointing to this trend towards slower growth extending into next year, it seems increasingly likely that the economy's pattern of performance for the remainder of this year will lag behind its first quarter gains.

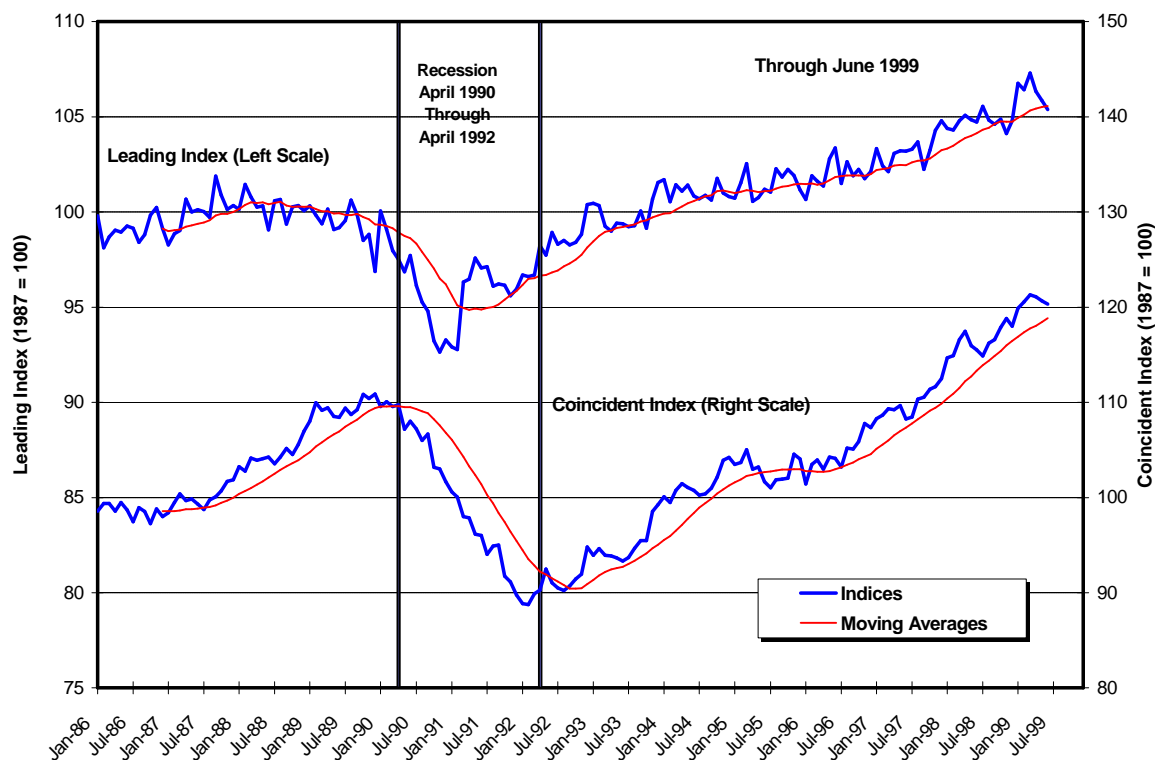
CURRENT CONDITIONS

The slowdown in the County's economy over the second quarter has meant that its monthly rates of gain have moderated since the first quarter and not that the economy has actually declined. This is an important distinction. This performance pattern indicates that the expansion, while continuing, is now growing more slowly. On a monthly over-the-year basis, each month's gains in the Coincident Index compared to their values in the previous year establishes this trend; in June 1998, the Index was 7.28 points higher than in June 1997, while its gain over the June 1998-June 1999 period was lower at 4.81 points. To continue outperforming same-month gains year after year is an extraordinary achievement so this moderation in the growth trend should be viewed as a normal pattern and one that may even have beneficial impacts over time relative to sustaining the expansion into the future as a result of reduced distortions and price pressures.

There can be little doubt that the Fairfax County economy remains very strong. June's economic indicators show the County's employment base to have grown by 25,933 jobs from June 1998, a gain of 4.79 percent. The significance of this job gain is clearly evident when compared to the County's 2.3 percent gain in the labor force (the resident workforce is growing far more slowly than the job base) and the 58,600 job gain in the Washington metropolitan area. The County's job gains accounted for 44 percent of all new jobs regionwide over this 12-month period.

However, in spite of this continued strong job growth and low unemployment (1.5 percent), the sharp gain in initial claims for unemployment insurance points to slower hiring at the entry level and even some seasonal downsizing. This pattern was also evident at the metropolitan level as a decrease in the Help Wanted Index suggested a lower demand for labor going forward several months. Any softening in the labor market at this point in the expansion should be viewed positively, as long as it does not become too great, as it will help

Business Cycle Indicators – Fairfax County, Virginia



Source: Mason Enterprise Center, George Mason University

reduce wage and inflationary pressures that have begun to squeeze the earnings of area businesses.

Shifts in consumer spending are also evident in County and metropolitan area data. Areawide retail sales in June reflected several important changes. Where durable goods sales have been leading the growth in consumer spending, June's nondurable goods sales increased at twice the rate of durable goods sales. Additionally, even though June's sales value exceeded same-month sales in June 1998 by 8.1 percent, their gain from May was just 0.1 percent. These changes can be explained by rising interest rates, the high levels of credit card debt, and some softening in consumer confidence. June's retail indicators in Fairfax County showed a somewhat different picture from the metropolitan averages. Automobile sales have surged in both May and June after a slow beginning of the year start and sale tax collections rebounded in June following weak performances in April and May.

NEAR-TERM OUTLOOK

The Leading Index is providing a strong signal that points to slower economic growth going forward.

This trending is consistent with other forecasts that call for moderation in the second half of 1999 extending at least to mid-2000. The key to the County's continuing economic health remains consumer spending. Even though job growth demonstrates that the capacity of the County's economy to produce wealth is still strong, the health of the economy depends to a large extent on its ability to capture this wealth through consumer spending.

With interest rates continuing to increase slowly (the bench mark 30-year mortgage rate is up to 8 percent) over the remainder of the year, new home sales will be dampened in coming months. This slowing of future home sales can be seen in the slowdown in residential building permits; permits have declined in four of the last five months. If consumer confidence and expectations decline in response to growing uncertainty regarding Y2K and the future health of the economy, consumer spending could be undercut further causing holiday sales to soften at a time when the retail sector is the principle source of economic growth.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jun-99 Prelim.	May-99 Final	Jun-98 Final	May-99 to Jun-99	Jun-98 to Jun-99
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	120.34	120.66	115.53	-0.27	4.16
Leading Index (1987 = 100)	105.37	105.86	104.72	-0.46	0.62
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	501,335	502,023	478,402	-0.14	4.79
<i>Total Covered Employment (Unadjusted)</i>	<i>508,294</i>	<i>502,636</i>	<i>485,043</i>	<i>1.13</i>	<i>4.79</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	298	334	292	-10.74	2.05
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>470</i>	<i>474</i>	<i>453</i>	<i>-0.74</i>	<i>3.70</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,755	7,712	7,148	13.52	22.47
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>11,812</i>	<i>9,786</i>	<i>9,611</i>	<i>20.70</i>	<i>22.90</i>
South Atlantic Consumer Confidence	182	177	176	3.00	3.17
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	6,937	5,818	5,275	19.24	31.51
<i>Automobile Registrations (Unadjusted)</i>	<i>7,813</i>	<i>6,422</i>	<i>5,941</i>	<i>21.66</i>	<i>31.51</i>
Initial Unemployment Claims (Seasonally Adjusted)	766	547	806	40.06	-4.97
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>727</i>	<i>501</i>	<i>765</i>	<i>45.11</i>	<i>-4.97</i>
South Atlantic Consumer Expectations	124.6	115.0	120.2	8.35	3.66
Residential Building Permits (Number of Units, Seasonally Adjusted)	432	448	689	-3.50	-37.31
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>489</i>	<i>472</i>	<i>780</i>	<i>3.60</i>	<i>-37.31</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	30,218	36,968	35,504	-18.26	-14.89
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>54,251</i>	<i>57,379</i>	<i>62,729</i>	<i>-5.45</i>	<i>-13.52</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	542,380	544,757	535,666	-0.44	1.25
<i>Total Labor Force (Unadjusted)</i>	<i>545,084</i>	<i>539,805</i>	<i>533,009</i>	<i>0.98</i>	<i>2.27</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.48	1.49	1.72	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.36</i>	<i>1.46</i>	<i>1.60</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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